

Role Of Technology In Financial Sector Companies

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In fact, technology plays a key role in companies' financial sector. It allows transactions to be executed more quickly, reduces costs and reduces operational errors.

At the same time, with the right tools, the company can carry out accurate market analyses that generate large returns in the medium and long term. To maintain this strategic role of technology in the corporate environment, managers must be prepared to deal with new financial market trends.

Knowing them in advance, the enterprise can choose which ones best fit its corporate profile and maintain a high-performance work routine. Check out this post, then, six of the major financial market trends!

1. Exponential Intelligence

Technology is radically changing the way companies do business. Today, IT solutions create new business opportunities and greater innovation: they not only optimize the work environment but also create disruption wherever they go.

This trend is known as exponential intelligence. It involves using solutions that integrate more deeply into the corporate environment, changing the way people do business and how the business plans its future.

Software that learns the user the best way to display content and customize their usage experience automatically. Robots are virtual and physically integrated into the enterprise routine, streamlining processes and making daily routines more convergent.

In this scenario, companies can act strategically: their services become smarter and more focused on the demands of users. Tools that were once considered separate parts of the IT infrastructure are integrated to deliver more results and drive competitiveness.

2. Dark Analytics

Data analysis is part of the everyday business of any company in the financial sector. It is used to evaluate the risks of a loan, the potential profit of an investment and even the market trends.

With such data in hand, the manager can prepare to position investments and other strategies of the

enterprise in search of more profits and competitiveness.

In the face of data analysis solutions, dark analytics has gained momentum, allowing businesses to utilize a large set of data in their strategic planning routines.

Dark analytics goes beyond Big Data, which already allows the enterprise to combine structured and unstructured data to comprehend market movements comprehensively. It incorporates deep web information along with existing records so that analysts can make accurate, high-return predictions.

In other words, dark analytics raises data analysis to a new level. The company will incorporate even more factors into its analytical processes, reducing costs and creating a work environment geared to the needs of all its customers.

3. Everything As A Service

The last few years have been marked by the flexibility of different areas of the service sector.

Business models were abandoned in exchange for new ways of selling products that were more flexible and geared to consumer needs. This made it easier for clients of different profiles, especially the younger ones.

In the financial sector, this is no different. Today, companies in the area are changing the way they do business by creating service packages that are more open to customization according to the needs of each consumer.

This financial market trend is known as everything as a service. It involves a major change in the way the company maintains its business model. Consumers now have more freedom to customize products and service packages.

Since services must abandon traditional models in favour of customizable packages, in return, the company will have loyal customers and be more engaged in the use of its services.

4. Machine Intelligence

Automation is already known to the industry for its ability to reduce errors and generate more productivity. Through it, companies are able to reduce the time required to perform a task and thus make more processes in shorter time frames.

In the banking market, this automation should gain a prominent role. With machine intelligence, processes will have a new level of performance and the ability to be automated in simpler ways.

With intelligent IT solutions, ventures can eliminate the need for humans to interact with a variety of

processes, reducing errors and eliminating operational costs: the entire infrastructure will automatically learn to shape its configurations according to user needs, reducing costs and deadlines.

Since secondary routines will not be the focus of each professional, it will be easier to direct the attention of all teams to what matters: service delivery and execution of tasks related to the core business of the enterprise.

5. Blockchain

Many point out Bitcoin as the currency of the future. Created and maintained by a community of enthusiasts, this cryptomonad does not stop valuing. Its success has been so great that some companies have already added Bitcoin to their investment strategies.

However, one of Bitcoin's greatest achievements to date has been its anti-fraud mechanism. Called Blockchain (or blockchain, in a free translation), Bitcoin's "reason book" avoids scams, making the use of Cryptomonad much safer.

All Bitcoin transactions are stored in these block strings. But they are distributed in a decentralized way, that is, everyone connected to the Bitcoin network has access to Blockchain.

Thus, to avoid fraud, each block is saved with complex encryption. If a user tries to defraud a payment, the blocks that precede and succeed in the modified block do not lose their integrity. This ensures that a fraud attempt is identified in a moment.

6. IT Unbounded

Many companies usually think of the IT industry as an auxiliary part of the business, which has a job that should not be fully integrated with other areas. But soon, this will change. In the coming years, the IT area must work increasingly to integrate with all parts of the enterprise, aligning strategies and processes.

Strategic alignment is critical if all IT policies are to have a profound impact on the performance of the enterprise. This approach will allow, for example, investments to have a high return: each exchange or acquisition of equipment will be made based on the needs and medium and long-term goals of the business.

At the same time, the devices will perform better. Its configuration will be shaped according to the routine of each area, generating more availability and better use of the resources.

In short, all these financial market trends are part of a large set of changes called digital transformation.

It involves new technologies and IT solutions that will revolutionize the way we do business. Interested? So take the time to read a little more about digital transformation and its impacts on your enterprise!

Technology has been the driving force of this century, and, as is often the case, the financial market rides ahead to adapt to its evolution.

As expected, faced with an exponentially more informed and, therefore, more demanding public in terms of results, transparency and values, institutions need to face multiple challenges, ensuring that all this demand for attention is met without giving up compliance and risk management.

Given this scenario, we have gathered the main trends you need to know to prepare for the new directions of the [banking sector](#):

1. Investments In Relationship Improvement

If customer management systems need to improve in the banking sector, this need is even greater. Faced with clients who research, control their financial obligations, and require qualified returns, relationships are the key to success.

If, decades ago, the need for a manager to become a business consultant was outlined today, that is a must.

The trend is that the use of modern techniques of data analysis and cross-referencing – using the resources of big data – allows us to obtain data that assertively points out the desires and perspectives of each client.

2. Improvement Of Service Channels

Financial operations have been increasingly unbanked, with the use of applications showing exponential growth.

Solutions for issuing digital credit cards with easy control and the emergence of investment and trading channels willing to educate the average customer and turn it into an investor are some of the examples of business models that pulverize the customer's attention that was exclusively banked.

The digital mesh that offers constant access, without limitations of time and space, multiplies with eyes and, with it, the new ways to gain the attention of the consumer.

The redesign of service channels must be improved, allowing access with the same level of ease and personality to the client that seeks to control their business in the palm of their hand.

3. Changes In Financial Intermediation

Another consequence of the constant emergence of startups with alternative financial solutions is the arrival of intermediaries for financial services, such as budget control and the extension of forms of payment, for example.

This is a very favourable trend for the banking sector, as these startups facilitate the processes, assuming the responsibility for technological integration through the interfaces of third parties and the banking institution.

In this way, the expansion of the range of services offered can be done without significant increases in costs with technology.

4. Greater Polarization And Competitiveness Of The Financial Market

Given the growth of options in the provision of financial services, the exclusivity of banks in their multiple sectors of activity is fragmented into a thousand pieces. Much leaner structures with greater customer closeness – generally looking much friendlier than the old modus operandi of the banking relationship – captivate users who once escaped the bureaucracy of the financial world.

We are not talking here about the same type of enterprise mentioned in the previous item: While the former intermediated banking services by increasing customer convenience, the latter replaced banking services by offering loan operations between users, currency exchange and other services previously exclusive to the sector.

The consequent trend is a strong market polarization, where the largest banking groups in the world will be set aside while thousands of institutions specialize in very specific market niches.

5. Banking Inclusion As A Competitive Differential

If, in previous decades, banking inclusion was seen as a differential, the tendency is that it becomes a requirement for survival.

Once new service spraying trends and the increasing reach of technology reach more and more previously unbanked consumers, the financial market should seek out the lower classes from an audience that is also interested in it and that will need to compensate for the flow of business to the competition.

It is a fact that the usual pioneering of the sector needs to put its gears in full steam and adapt in a

chameleon way within a segment that loses more and more of its exclusivity.

How have bank operations changed with technology? (For example, liquidity management, derivatives management of interest rate risk and other risks, etc.)

When it comes to technology, financial institutions often get out of the way, adopting many modifications in that area. This is easy to see when we look at how banking services were a few years ago and how they are today. The technological trends in this sector are always surprising when seeking to modernize and facilitate the lives of those who need the services of banks.

Are you usually aware of the technology trends in the banking industry? I know that some of them can not be ignored. In this article, we'll show you 4 of those trends that deserve your attention. Keep reading and check it out!

1. The Internet Connectivity Of Things

This is one of the most current concepts when it comes to technology and connectivity. The IoT (Internet of Things), which is growing every day, is a trend that is also present in the banking sector.

With an increasing number of devices and objects connected to the internet, the use of banking services will become even easier and more interactive. The influence of the Internet of Things tends to stimulate the improvement of existing technologies as well as the creation of new solutions for the most varied demands in this sector.

2. The Role Of Fintechs

In recent years, the world has witnessed the rise of new banking models, and the finest example of this is fintechs.

These financial services startups – like Nubank and Banco Original – have been strengthened in the market with an innovative proposal that promises to break the hegemony of the big banks. By providing services that are very similar to traditional financial institutions, fintechs tend to consolidate some other features in these services, such as ease of access and drastic cost reduction, from a wide use of digital means to carry out their activities (Basel Committee on Banking Supervision, 2018).

This is undoubtedly a trend that deserves to be followed, as it is accelerating in expansion and should not take too long to establish itself as the standard in the financial market since there are many benefits to the consumer.

3. Consolidating Cloud Computing

This is one of the technological trends in the banking sector that tends to become much more pronounced. If it is already widely used today, imagine how it will be used in the future.

The adoption of cloud computing brings a lot of benefits to the banks themselves but also brings positive feedback to users. It allows institutions to make a high-availability service, that is, anywhere and at any time, in addition to providing greater flexibility, allowing the use of different devices for the customer to access the services.

4. The Adoption Of Artificial Intelligence

What was once a fiction movie thing today is already palpable and enforceable.

The financial market, as said, tends to get ahead when it comes to technological innovation. In this context, AI (artificial intelligence) could be a trend in the near future. The adoption of this concept is undoubtedly a major milestone in the provision of banking services, which will be even more interactive and accurate and will have a great capacity to anticipate human needs.

This can be the key to ever more agile, secure, and personalized services that are less and less dependent on human assistance because machines can autonomously assume the functions formerly exercised by bank employees, for example.

Finally, these are some of the trends you should be aware of. Some of them are currently available. However, it should not be too late for the others to be employed as well.

So, what did you think of this article on the technological trends in the banking sector? Have you had any experience with the new technologies? Do you have any questions, or would you like to know more about it? Leave your comment!

From 2000 to 2015, total revenue from financial services in the world is expected to grow 7.1% year-on-year, from \$ 2 billion to \$ 5.6 billion. The forecast is in a study compiled by IBM Global Business Services - the consulting division of IBM - and released on Wednesday at the Ciab Febraban 2006 conference in Sao Paulo.

The study, conducted by IBM's strategic research unit, The Institute for Business Value, points to five key trends that will determine the success of the banking industry over the next decade.

Customers, according to the survey, will be even more knowledgeable, demanding and experienced, demanding higher value-added services and meeting their specific needs. There will be a polarization in the market, which will be divided between the big global conglomerates and the specialized institutions in market niches. As a result, the tendency is for partnerships to increase in the same

proportion as competition, in a phenomenon called “coopetition.”

According to the study, it will be fundamental to find new ways of managing the workforce in terms of performance, compensation and training. It should also increase the need for security, privacy and compliance with increasingly demanding regulatory standards, as well as greater integration between the various business processes, systems and infrastructure.

The research also reveals that combining technological advancement with innovative business models will improve the effectiveness and differentiation of companies. According to IBM’s Global Business Services Latin America Finance Leader Tonny Martins, the study points out ways for financial institutions to become even more competitive over the next 10 years. “By 2015, we will live in an increasingly customer-driven market, dominated by mega global banks and densely populated by financial services providers. Competition and regulation will intensify, and technological innovations and business models will reshape banking and non-banking structures. ”

For IBM, four issues will be strategic in this new scenario: shifting business models, targeted growth, maximizing operational effectiveness and partnerships with specialized providers, new forms of outsourcing of the workforce, and adequate infrastructure with IT investments.

What have The effects of regulatory changes been on the banking industry?

While analysts working in the financial sector are arguing about whether Amazon will start to provide banking services, it is clear that the banking services market itself is in a state of uncertainty when it comes to technology.

Of course, in itself, mobile banking does not represent something completely new. But today, this technology is indispensable for the bank’s clients and, first of all, for the younger generation. This is the absolute minimum that all banks have to reckon with. Experts and analysts agree that banks that do not have a reliable mobile application are outsiders.

Soon, such an opinion will be formed regarding a multitude of new and emerging technologies, taking into account how actively banks are trying to keep pace with technology companies such as Apple, which this month introduced the Apple Pay Cash service, allowing users to send and receive cash means through the Apple Pay mobile payment system.

“Decision makers start with the idea that mobile technology is gaining dominance, and the market is seized by the trend toward a digital transition,” said Chris George, senior vice president in charge of developing a strategy for engagement with customers at NYMBUS – one of the key players in banking modernization.

The following year, the banking sector will be mainly influenced by five technologies:

1. Banks Will Expand Services With External Apis

Banks have used APIs for many years, but APIs- software intermediaries that enable the connection and operation of applications, including mobile, with server-based office systems- will increasingly be used to provide new services. As noted by the portal The Financial Brand, the APIs “provide opportunities to implement innovative contextual solutions that would have little chance without an open banking service.”

According to the IDC consulting company, by the end of 2018, 50% of the world banks 1 and 2 will offer at least five external APIs. Banks are increasingly cooperating with financial and technology companies through open APIs. In part, this will be related to the requirements of the regulatory bodies.

“New regulations governing banks, for example, PSD2, obliging banks to provide access to client data, also promote cooperation, especially through APIs, which are used to provide access to such data,” the specialists of the consulting company Capgemini note in the report, devoted to trends in the banking industry in 2018. “Regulators welcome initiatives that ensure the operation of banks in an open format, and banks have to open APIs using APIs to third parties, giving them access to information about the state of accounts, and giving them the opportunity to initiate payments.”

In the company, Capgemini notes that the banks “there is an urgent need for early implementation of technical innovations, but they failed to achieve great success in the field of digital innovation, using only internal resources.”

Specialists of the company note that banks, financial and technological companies, and enterprises seeking ways to introduce new technologies need to cooperate to achieve their goals. Banks are looking for new approaches to digital innovation, while financial and technological companies need “capital, scale, data, customer confidence and regulatory support.”

Marc DeCastro, head of research at IDC’s financial analysis department, argues that open APIs can help banks “provide customers with a more flexible and refined experience.”

Over the past five years, companies working in the field of financial technology have moved from competitors to banks and to their partners.

According to de Castro, banks are still trying to control the digital experience of customers, especially in the protection of their brands. However, for its control, credit institutions will need to open access to their servers through the API.

2. Mobile Banking Will Become Less Problematic

Mobile banking can no longer be attributed to fundamentally new technologies, but it will become easier to use and give users more functionality.

Kirk Borne, a leading data processing and analysis specialist and executive consultant for Booz Allen Hamilton, told The Kirk Borne Financial Brand that consumers will increasingly prefer mobile banking to standard banking services as their digital, user and client experience is becoming more sophisticated and information-secured. This implies seamless digital banking between consumer and business, one-click customer payments, new opportunities related to crypto-currencies, biometric authentication systems that do not require password input, services and georeferenced and dialogue interfaces (World Bank, 2020).

According to George, the fact that Apple began to provide services in the field of direct peering payments will force banks to improve the quality of work and ease of use of their own mobile offerings. He believes that banks need to keep up with others in terms of mobile applications and services.

“Banking is what everyone is doing today,” George repeats the phrase widespread in the industry. “This is no longer the ultimate goal.”

According to him, banks must offer applications and provide their online presence in order to compete with the easy-to-use offers of other players. It’s not enough to offer ordinary applications ».

3. Artificial Intelligence Improves Client Experience

Artificial intelligence will help banks automate processes and improve the quality of customer service, said Mitch Siegel, director of the national financial services strategy and transformation department, consulting company KPMG, in an interview with American Banker.

“We see that organizations are starting to simplify processes considerably due to intelligent automation, which in turn helps to demonstrate corporate data that has traditionally been hidden in the depths of complex basic systems,” Siegel said.

“Organizations traditionally offered products and services to large groups of clients, the approach to which was the same, but which in fact had significantly different buying habits, motivators and satisfaction factors,” Siegel continues. “Thanks to the data, it becomes possible to create services and experiences that take into account the characteristics and needs of each individual.”

According to de Castro, it will not be possible to completely replace a person, and in the near future, one should not expect banking systems to be completely under the control of AI. Nevertheless, AI will help automate similar processes and can improve customer service with the help of chatbots.

Specialists and Capgemini argue that robots cost 50-90% less than regular and freelance employees and that banks will invest in AI more and more in an attempt to improve their efficiency while maintaining high-quality customer service. "There is an increase in demand for the economy of operations while ensuring an exceptional level of service at lower costs," the company believes.

George adds that in the next two or three years, banks will introduce AI into their applications. According to him, in the near future, when users are wondering if they have enough money for a luxurious dinner on Saturday evening, these applications will be smart enough to know that the answer will be "yes", since on Fridays users receive a certain part of their salaries.

4. Biometric Systems Will Increase The Level Of Security

Security has always been a concern for banks, and nothing will change significantly in 2018. Banks will look for ways to add new levels of security to their services.

IDC predicts that in 2018, the cost of implementing authentication methods for the next generation will grow by 20%. This is due to the banks' desire to win the digital trust of their customers.

De Castro claims that customers have become better at authenticating payments on smartphones with a fingerprint. Banks will promote the same attitude to face recognition systems and user identification based on the voice pattern. Given that customers need to remember more and more passwords, biometric authentication systems can help simplify security procedures and provide more reliable methods of identity verification.

"Banks will use everything that will help to confirm that I am the one I pretend to be for if this is as simple as using fingerprints, recognizing faces and identifying by the voice pattern," says de Castro.

5. The Internet Of Things Will Be Used On A Small Scale

De Castro believes that in 2018, banks, as before, without much interest, will look closely at the Internet of things. Next year, there will be more conceptual research in which banks will test IW technologies in a number of offices with high attendance. According to him, banks need to see how customers will react to sensors in such offices: "I think if everything is done correctly, it will mean an expansion of opportunities that can improve the overall level of customer service."

For example, banks could use beacons or sensors for biometric authentication of a customer who entered the bank branch. The received data can then be transferred to an ATM, which will preliminarily prepare withdrawal parameters based on the customer's preferences. As soon as the

client enters the PIN code, he immediately receives the money. De Castro believes that such a transaction could exceed consumer expectations and increase the attractiveness of the Internet for things. He added that ATM manufacturers have already built such functionality. Узнать больше: <https://www.plusworld.ru/>

What Have Been The Effects Of The Financial Crisis On The Banking Industry?

5. Last year, we drew attention to a sharp increase in the interest in the world for a wide range of investors in financial technologies. There were fears that financial companies would be pushed out of the market by IT giants. The results of 2017 somewhat reduced this probability. First, the technology companies failed to show any noticeable progress in the field of fi tech, and secondly, more importantly, the banks were aggressively involved in the “technology race”, although previously they were considered to be very conservative and unwieldy. Great hopes are still placed on the blockchain; however, despite all the attention to this topic and investments in related technologies, ready-made application products on the blockchain platform are almost non-existent, and there is no precise breakthrough. Most likely, fintech will remain among the most popular trends in the coming years; however, according to analysts of RIA Rating, it is possible to consider the inertial scenario of the development of technologies in the financial sphere rather than the revolutionary scenario.

6. After a long discussion and test implementation in the third quarter of 2017, the mechanism of lists of bank customers was activated. According to open sources, over half a million individuals and legal entities appear on the lists. Naturally, it is not without problems. According to various estimates, up to a third of the representatives of these lists are quite respectable, and they are included there erroneously. However, we must admit that the collapse did not happen, and the banks and the regulators tried to solve the problems and misunderstandings quickly. In general, this has a promising effect on the economy, in particular, rumored to be evidence of a decrease in the number of “laundries,” the cost of cashing has increased significantly, although here it may be more important to revoke licenses from nudity banks.

7. Another trend that began in 2016 or even earlier was the exposure of banks to cyberattacks. The level of cyber attacks on the banking sector last year was still really menacing. In 2017, several cyber attacks were carried out, which violated the work of many enterprises, including banks. First, the WannaCry virus encryptor inflicted significant damage, and then the Petya encryptor stopped the work of a number of banks for several days. This happened despite the growth of costs for cyber defence in Russia and throughout the world, as well as close attention to this issue on the part of the regulator. Given that the latest large-scale attacks were hit at once by many countries, it is possible to compare how much Russian banks were ready for the corresponding problems with foreign competitors. In this regard, the comparison is entirely in favour of Russian financial institutions. Most of the banks managed to avoid damage, and the affected banks were able to quickly restore their

efficiency. Therefore, last year's forecast that a license could be revoked for the first time due to a successful attack on a large bank with multi-billion losses was not realized, and the likelihood of such a scenario in the future is estimated by RIA rating analysts as not very high. On the other hand, it will be impossible to completely avoid damage, and therefore, banks should not only invest in IT security but also create reserves in the event of losses from cyber attacks since, at any level of security, the probability of such losses is far from zero.

8. The problem, which has already gone to the background, again rose to the top of the table. Sanctions from the US became much tougher in 2017, and they will probably strengthen further in 2018. The possibility of imposing sanctions against the Russian state debt is often condemned, which can be very painful for the country's financial sector. Greater clarity on the scale of sanctions and the further development of this topic will come in the first half of 2018. In general, the situation with sanctions can become one of the possible "black swans" for Russian banks and the financial sector.

9. Significantly reducing the crisis in the banking sector may increase the value of real estate in 2018. Residential real estate is likely to show a rise in prices due to the development of a mortgage, and in the commercial real estate segment already in 2017, the vacancy rate of premises has significantly decreased, and next year, there may be a local deficit, which will lead to an increase in rates. According to analysts of RIA Rating, the rise in prices for Russian real estate can help many banks, as they and their shareholders are often major owners of real estate, and in addition, real estate is the main deposit with banks. Thus, the growth in the real estate market can help many banks solve problems with lending and attracting capital.

Regulations

Legislative innovations

Improving the quality of banking supervision and the practical compliance by banks with the regulatory requirements of the Central Bank can improve the reliability of the banking system as a whole. In 2003-2004, regulatory and legislative bodies took a number of initiatives aimed at tightening supervisory requirements for banks and developing the legal and institutional infrastructure of the industry. These include measures such as the adoption of the Law on private deposit insurance, the gradual introduction of IFRS reporting as an additional form of reporting by banks, the changing and strengthening of regulatory requirements for the quality of capital, liquidity, the creation of loan reserves, the passage of the bill on credit bureaus and the finalization of legislative frameworks mortgage lending and refinancing. However, the practical result of the introduction of new legislative provisions is yet to be obtained.

The introduction of the private deposit insurance system is by far the most important direction of the banking reform in terms of the degree of impact on individual banks. Standard & Poor's believes that this measure will have a positive impact on the banking system as a whole, as it will help increase the

stability of the deposit base and gradually equalize the competitive conditions between Sberbank and other banks. Nevertheless, a favourable impact on the industry will be mitigated if a large number of small and unsustainable banks that do not have experience working with an independent clientele are admitted to the insurance system. Economic recession is fraught with the insolvency of a large number of participants in the insurance system, which can create a significant burden on the insurance fund and undermine the confidence of private investors. Another concern of Standard & Poor's is that before the announcement of the full list of banks admitted to the insurance system, some uncertainty remains in the banking system.

Synchronization Of The Dodd-Frank Law With The Recommendations Of Basel III

Analysis of the spectrum of regulatory innovations would take more than a dozen pages, so let's pay attention to the block in which the reforms in the US affect similar reforms of Basel III, the requirements for bank capital and assets. In line with the proposals of the US regulators, the changes should integrate certain requirements of the Dodd-Frank Law with the recommendations of Basel III, and therefore, it is expected to introduce more stringent capital standards by eliminating from the first-order capital elements that, in the opinion of regulators, do not have sufficient flexibility to prevent possible losses: preferred securities issued by investment trusts organized by the BHC; cumulative perpetual preference shares; • buffer capital in case of crisis phenomena, performing the function of a countercyclical liquidity regulator; increased requirements for a minimum level of capital adequacy.

Meanwhile, these measures do not apply to the backbone banks, for which the relevant proposals will be formulated further. These "integration" standards apply to all US banks and savings associations registered at both the national and state levels, as well as federal savings associations and BHCs whose parent organizations are registered in the US, with assets of at least \$500 million. In addition, all new savings and credit holding companies fall under the new capital standards, regardless of their size.

Despite the accession of American regulators to the standards and recommendations of Basel III regarding the norms of bank capital, the prospects for common ground between the Dodd-Frank and Basel III laws regarding the remaining aspects of the reform are still unclear. In our opinion, the volatility of final regulatory harmonization is closely related to the concerns of US regulators about the likely decline in the competitiveness of US banks due to the possible differentiation of reforms in terms of requirements, regulations and the size of the institutions involved and, accordingly, possible deviations in the results of reforms. At the same time, the impact of "integrated" regulation in the long term is problematic enough to incorporate into any scenario. Supervisory integration may stretch over time and prove costly for banks, becoming a half-measure. Nevertheless, the focus of regulatory changes on the quality of capital and its effective structuring should become one of the main

prerequisites for strengthening the financial position of banks.

Risk Management Issues

Limiting the scope of the plans for overcoming hypothetical crises – the PPCR by the national financial market – leaves open the question of the extent to which new supervisory requirements are applied to the non-US segment of the international banking group. As some countries not only did not synchronize their regulation and supervision but did not even begin the reform process, the threat of stable development hangs over the BHC / FCC units operating in these countries, especially if these units operate in the form of subsidiaries; that is, they are subject to supervision as separate subjects of Law.

Under such circumstances, no reforms will achieve the goal if the foreign units of the systemically important American banks are not adequately protected against systemic risks of a regional scale and interaction with the regulators of the respective countries, as indicated in a number of PCGGs, does not guarantee that the latter take immediate protective measures. Interestingly, by choosing an inorganic growth strategy as one of the tools to reduce dependence on market risks, transnational banks unwittingly become hostages of prudential risk.

Most of the activities envisaged by the PPGC are related to the future of the time. Without questioning the sequence of preventive measures developed, it is worrying that there is no linkage between these measures and the organizational structure and the operational model of the backbone banks. Perhaps some of the problems can be solved by simplifying the existing architecture or splitting it into independent companies. Perhaps the cost of organizational splitting will be lower than the cost of carrying out activities within the PPGC. It may be necessary to introduce additional prudential incentives to encourage banks to review and, if necessary, rethink the existing structure. It seems that banks, as well as their regulators, are confident in the infallibility and strength of economic structures and are convinced of the productivity of primarily integration and coordination work without any change in the organizational and legal environment.

The implied disregard for the overall restructuring of the bank, i.e., corporate-level reform, can create serious obstacles to the implementation of the PPGC. It is no secret that the stagnation of the market value of shares of systemically important banks in the US compared with the dynamics of the value of shares of commensurate corporations of the non-financial sector is largely due to the prolonged expectations of investors for a coherent and convincing program of stable growth of financial capitalization for the long term, which to a large extent depends on the business- model. Nevertheless, in the case of a repeat of the systemic crisis and the emergence of new threats to the US economy, it is unlikely that the rescue tools of the largest banks will be limited to PPGC alone. Minimizing the same potential risks can only be done by expanding the basis of preventive measures.

It causes some scepticism and the absence of a temporary factor, which is not present in any PPGK.

Modern credit institutions are a complex mechanism with a large number of features, which, in turn, feed the soil of banking risks. Will the banks, together with the regulators, be able to quickly implement the separation of various business units, which are also linked by a single operating and IT platforms? Should the PCGG include real actions of banks on organizational changes and “organizational defence”, which is opposed to external shocks? Will the catalyst splitting the operational or financial antagonism not cause the aggregate profitability or market value of the separated structures to be lower than that of the credit institution before splitting? Will the cost of splitting the future efficiency of new structures pay off? Will all structures be able to independently achieve efficiency? And, finally, will not a decrease in efficiency, and in the worst case, bankruptcy, lead to a chain reaction of instability in the financial sector and, finally, to a new systemic crisis? Although each of the issues is the subject of a separate study, we only note that the organic addition of PPGK with new qualitative elements will not only contribute to further strengthening the anti-crisis foundation of the banking community but will also reduce the number of white spots in a complex risk management system.

The Cost Aspect Of Reform

Strange as it may seem, the responsibility of US financial regulators does not extend to the synergistic effect of the reform, which is its effectiveness and the ability of new rules and regulations to reduce the likelihood of new crisis shocks. Thus, according to the estimates of the economists of the Bank of England and the Bank for International Settlements, the optimal ratio of bank capital to risk-weighted assets necessary to significantly reduce the probability of a recurrence of the systemic crisis should be about 20%, while this indicator, recommended by international regulators, currently is less than 10%. The balance of interests is not in favour of regulators, which requires detailed calculations and an unbiased assessment of costs. In this regard, it is likely that the Dodd-Frank Act may soon be supplemented with relevant provisions, which, in turn, will push the regulators of other countries, especially the eurozone, to similar innovations. This kind of logical completeness and almost integrity of the reform will become a weighty argument not only for regulators but also directly for participants in the financial market, whose lack of trust in the ongoing reforms, to some extent, hinders the development of the US banking sector.

Nevertheless, the expediency of early reforms in the regulatory environment and the need to improve the financial and banking sphere proved to be stronger than the future quantitative transformation patterns, at least on the basis of the decision of the US regulators approved by the Federal Reserve Board of Governors in early July 2013 to join the fundamental package of Basel III, – to strengthen and strengthen the quantitative and qualitative characteristics of the capital base of credit institutions. Thus, American regulators chose less of two evils: some deterioration of the banks’ liquidity position is possible as the inevitable costs of their adaptation to new regulatory requirements, unlike the future results of quantitative measurements of the consequences of the reform, which, it is not impossible, can confirm the correctness of the trajectory of the “regulatory roadmap” And the adequacy of the new regulatory realities.

The decision to join the requirements and recommendations of the first phase of regulatory innovations in the framework of Basel III can also implicitly testify to the propensity of American experts to believe that the dynamic stability of the banking sector achieved with the help of a more solid, than before, a layer of capital of the first order, and not an ephemeral synergy, devoid of not only a methodological basis but even an expert consensus.

Possible Consequences Of The Reform Of Banking Regulation In The US

It is likely that financial and credit institutions that fall under the new regulatory requirements prefer the implementation of the most profitable operations outside the United States. However, there are questions: where and when? The temporary barrier to attempts at “global regionalization” can put equal and synchronous changes in the banking regulation of countries that can be conditionally attributed to the subjects of a civilized market. In other words, the expansion of the regulatory convergence area will promote further rationalization of banking activities, the core of which should be long-term risk management rather than the pursuit of a “long dollar”. In turn, the insistent demands of reform regulators to ensure financial stability on a global scale will force the remaining countries to appropriately transform their regulatory spaces while avoiding excessive regional colouring, that is, creating attractive conditions or preferences to the detriment of new regulatory values.

At the same time, stability on a global scale is inseparable from stability in national markets. Since in the US banking sector, 9 out of 10 banks are classified as medium and small businesses, the US Treasury, together with the Congress and state banking regulators, appealed to federal regulators responsible for implementing the latest Basel principles with the initiative to apply other norms to them, since otherwise, according to experts, additional costs may reduce the credit potential of such banks, given their central role in the banking sector in providing mortgage loans and a leading role in lending to municipal companies, which in the end could significantly complicate the recovery of the US economy.

Persuasive arguments of economists, long discussions about the consequences of unification in the application of new regulatory norms and standards, and regulative responsibility with respect to the state and dynamics of the macroeconomic environment led to an understanding of regulatory differentiation, which essentially means the application of different approaches for different groups of credit institutions, depending not only on their size but also on the importance of post-crisis recovery. This measure was reflected in the above-mentioned decision of the Board of Governors of the Federal Reserve in the form of postponing the implementation of Basel III's new requirements in terms of capital rules to a group of small but numerous banks.

As noted, under the tight control of American regulators, the largest foreign banks and non-bank financial organizations, whose subsidiaries and affiliates are operating in the United States, have been

included. However, the Fed is worried about the incongruence of global regulatory reform and the potential for a recurrence of the risk of systemic crises, as well as the high level of complexity of transactions, operational concentration and close intertwining of activities in the local interbank market, which could potentially pose a threat to the US economy, only PPGK, in connection with which it was decided to extend to this group of institutions the requirements of the Dodd-Frank Law. Since under the supervision of the Fed falls into the credit institutions classified as bank holding companies – BHC, large foreign players, including their brokerage units, should be reorganized in the form of a mid-level / intermediate holding company in the US or, in other words, into an American subholding.

Under the consolidated control, banks will come from the category of backbone, that is, with a volume of consolidated global assets in excess of \$50 billion. And the volume of consolidated US assets is over \$ 10 billion. If the size of American assets exceeds \$50 billion, the subholding will be subject to increased regulatory requirements, similar to the requirements for systemically important banks of American origin. These innovations should, according to the Fed's plan, force foreign players to increase the terms of their obligations denominated in US dollars, thereby reducing the risks stemming from short-term speculative positions. It can also be assumed that the unification of prudential requirements in the banking sector will not only enhance the transparency of the activities of foreign participants and will contribute to the formation of a more balanced corporate environment but will also make a significant contribution to protecting the US economy from deteriorating financial position of banks, which may, in particular, imperfection of the regulatory requirements in the countries where the head organizations of foreign banks are located and, accordingly, the regional and global powerlessness calls.

Disagreements Between National Regulators As A Transition To Global Banking Regulation?

Globalization of financial and credit institutions implies interstate cooperation, including synchronization of principles, mechanisms, norms and standards of banking regulation. Dissolution of the national borders of markets under the onslaught of economic expansion and interpenetration of players is a serious problem not only for regulators but also for creditors, clients and shareholders of international, transnational banks in part related to the application of PPGK in the narrow sense and bankruptcy procedures in a broad.

The discussion on the application of various approaches in the course of regulatory reform was the catalyst for the transfer by the US regulators of the earlier decision to begin implementing the recommendations of Basel III from January 2013 to January 2014, which provoked similar decisions by the regulators of the countries of the European Union. The stumbling block was the cornerstone of the reform – the coefficient of highly liquid assets, which from January 2015 was to be fully implemented in the system of key performance indicators of credit institutions.

According to the common opinion of the parties, the premature transfer of banks to the LCR would

slow the process of getting out of the crisis due to a possible shortage of credit resources for the restoration of the non-financial segment of the economy, as well as the stagnation of interbank lending. In this regard, in January 2013, regulators reached an agreement on a new structure of the active base of banks that was taken into account in the calculation of the LCR, and its final implementation was postponed to 2019. The extent of the reform over time is partly due to the length of the process of synchronizing assets and liabilities to achieve market equilibrium, which is one of the main factors of the stable functioning of the banking sector in the long term.

At the same time, the prolongation of the transition period will allow banks to reduce morbidity from a possible significant decrease in revenues from core business – since highly liquid assets are usually associated with low-risk instruments and, therefore, with relatively low yields, and develop a long-term mechanism for optimizing the portfolio of assets in order to achieve an organic balance between risk level and profitability. In addition, the liberalization of LCR will revitalize the corporate bonds market, as well as the securitization market of the mortgage segment's banking assets. At the same time, a decrease in the requirements for LCR assets is unlikely to be a catalyst for the growth of banks' lending activity since Basel II's "freeman", whose standards have long been the role of navigators in excessive credit expansion, inertia will be a limiting appetite for the growth of the relevant categories of assets due to the fear of a liquidity deficit in the new conditions.

In addition, the conflict of interests between securities issuers, the categories of which are included in the "set" of LCR-assets, and specialized rating agencies, whose work on assigning ratings to securities is paid by these issuers, can translate their assessment into an area of invisible zero-width space artifactanalytical subjectivity. But the main danger, in our opinion, is the risk of a downgrade of assets – for example, in the case of external shocks or corporate shocks and their subsequent exclusion from the LCR assets, with all the ensuing consequences of non-compliance with supervisory standards. In general, the adopted amendments to Basel III, or regulatory mitigation, can be characterized as an attempt to avoid a regulatory imbalance and to solve simultaneously two tasks – to prolong the adaptation period for banks in order to ensure a more effective restructuring of operational models in the face of an inevitable decline in the profitability of banking activities and optimize supervisory actions on principle "better is less, but better" in order to minimize negative consequences of possible external shocks in conditions of narrowing of the banks' own capital base.

The tendency to denationalize regulation – shifting the emphasis from national to interstate-supranational oversight is a reflection of the internationalization of economic space and economic challenges and is associated with the multiplicity and unpredictability of risks in the economic environment. The transfer of a number of banking supervision functions by the central banks of the euro area to the European Central Bank, the desire of national regulators to reach a consensus on the most sensitive parameters of regulatory reform, the extension of the features of national reforms to the credit institutions of other countries are clear signs of the globalization of banking regulation. In this situation, it is important that the pace of internationalization of supervision as soon as possible would prevent possible negative consequences from the "white spots" of regulation, which represent a **shadow banking** business which is subject to a number of foreign operations of most international

banks – especially in markets with weak supervision so that they do not turn into “black holes” that carry bank assets.

However, the internationalization of regulation should not restrict the inter-market expansion of bank capital. Some of the limitations of Basel III should remain only a forced, temporary measure aimed at rethinking certain aspects of banking activity in terms of their exposure to managed and unmanageable risk. A purposeful integration of the risk component into regulation may become the foundation for building a global regulation system, which, along with a change in the model of credit institutions and priorities of banking business, will serve as a basis for strengthening the security of financial and credit institutions.

The world economy stumbled in September 2008 after news of the bankruptcy of one of America’s largest investment banks, Lehman Brothers, and since then, major economic powers and emerging economies have skated to grow again.

The collapse of Lehman Brothers has become the hallmark of the international financial crisis, but the Bank’s bankruptcy was the result of a gestation that began almost a decade earlier and is “the height of a heap of barbeques” committed in particular by the financial system, which, in the absence of regulation, became accustomed to making extremely risky operations, according to Simon Davi Silber, a professor at the Department of Economics at the University of São Paulo (USP).

As a result, the US government has nationalized companies and put in place a stimulus program that has lasted to date, raising its fiscal deficit, stagnating the economy, increasing unemployment, and taking millions of families from their homes.

Since the Bank’s downturn, US unemployment has gone from 6.1% in September 2008 to 10% in October of the following year, and in August of this year, it reached 7.3%. The economy went from a growth of 1.9% in 2007 to a drop of 7.1% in 2011.

Interventions

To manage the crisis, the US government has intervened in companies such as GM and banks, breaking a strong taboo in American culture. To stimulate the stagnant economy, the government changed monetary policy, stimulating growth. On the one hand, it injected resources through the purchase of securities, and on the other, it adopted a policy of low interest that had never been seen in the past.

According to the US Treasury, the aid program for the banking and automobile sectors cost \$421 billion, but a portion of that money would have gone back to the public coffers, according to Treasury sources.

Evolução da economia dos países após a quebra do Lehman Brothers (Foto: Editoria de Arte/G1)

The fiscal deficit grew due to the rescue plans, rising from 3.2% to 10.1% of GDP between 2008 and 2009, and in the last five years, the country's public debt reached more than 65%, about US \$16 billion, and sparks disputes between Congress and the White House. Meanwhile, the Fed continues to inject money into the economy through bonus purchases of \$85 billion a month and keeps rates very low.

The Fed's injection of money into the markets is an advantage over other countries, as the dollar is an international currency, allowing it to issue money without inflation. "No other country has this power," recalls Rogério Buccelli, professor of International Economics at the Rio Branco Faculties International Relations course.

Uncertain Recovery

However, the result of the measures has not been the expected economic growth, which has been generating doubts about the possibility of the country's recovery.

The unemployment rate in the United States is still at 7.3%, and the forecast for economic growth in 2013 is 1.7%.

"It has liquidity in the market, but as people are very indebted, they can no longer make a big credit expansion. (...) Banks, with all the capitalization that has been made, are still leveraged, nor will they make a big credit expansion because they are more cautious and have a little more regulation. That is to say, the sequel that remains is that you will not be able, after the crisis, to make a big boost in the economy with credit expansion," says Simao Davi Silber.

What happened in the crisis was that the financial system was indeed quite different from what the government thought it was, and we did not do much to prevent it from collapsing again. We also did nothing to help it work."

Gary Gorton, Yale University

According to Professor Rogério Buccelli, economic activity is still low. "The recovery, for all the resources that have already been put, public money, and an increase in the public debt, is still far behind 2008," he says.

Gary Gorton, a professor of finance at Yale University and a researcher on the US banking system, points out that it takes 10 years for the country to recover from a financial crisis; that is, the country would still be in the middle of that path. The bad news is that recovery tends to be achieved with higher levels of unemployment and lower growth.

The coordinator of the international economics course at the Pontifical Catholic University of São

Paulo (PUC-SP), Antonio Carlos Alves dos Santos, believes that until next year, the US must recover – mainly due to the new technological standard that has been developed in the country, from which the exploitation of shale gas is the main bet.

“The American economy has always been able to generate adequate employment for its population; I do not believe it will be different this time, only it will be more time-consuming than the traditional one,” he says.

However, in Gorton’s view of Yale, the basic problems of the structure of the country’s economic system have been around for 30 years and have not been solved. And without a solution to these structural problems, the United States may face a new crisis in the coming years.

“What happened in the crisis was that the financial system was indeed quite different from what the government thought it was, and we did not do much to prevent it from collapsing again. We also did nothing to help it work,” he says.

For Gorton, one of the main problems of the structure of the economic system is what he calls the “shadow banking system,” which involves institutional investment banks and large fortunes, creators of more questionable financial products.

“The solution to this is to clean up the banks’ short-term debt in the shadow banking system, but this has not happened, so we’ll have another crisis. The question is whether it will happen in 10 or 15 years or when,” he says.

Euro Area

The crisis has also shown weakness in the construction of the European Union and the fragility of the euro. Portugal, Spain, Ireland and Cyprus needed financial aid; temporary and permanent aid channels were created, and they spent more than 200 billion euros for the four countries.

In return, countries have had to make austerity measures and reforms during the cash rush, which has cost the populations of these countries a lot. Unemployment reached 62.9% among young people in Greece and 56.1% in Spain in May and July this year.

“With the crisis, the problems that were already known appeared and appeared in a terrible way, initially in the countries of the Mediterranean,” says Santos.

“The way in which European economic activity is being sought is to pass through a forum of 17 States, where two, particularly Germany, think that fiscal adjustment is the most appropriate way out, and not save public debts from States, for example. This has led to a huge recession,” recalls Buccelli of the Rio Branco Faculties.

For him, it is frivolous to say that the Mediterranean governments were profligate, and that explains

the great debt that they must pay today. “These governments have seized a wave, especially Ireland, of economic growth in Europe. Families could get into debt because the interest rate was very low. They were buying houses, cars, and travelling. There came a time when liquidity ended, and interest rates rose. The only thing for the government to do is to get into debt. He was indebted to save the private sector from this huge liability that one day told them that it would never end,” he says.

The prospect of EU recovery is more difficult, according to the PUC-SP professor. He believes that Greece will need more international aid and that the time needed for recovery will be greater. For Gary Gorton of Yale, the crisis has caused Europe to start tidying up, agreeing, for example, on banking regulation. “Now they’re deciding how to do it. The problem is also how to coordinate fiscal policy, and that is for the future,” he says (National Institute of Standards and Technology, 2024).

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